



**GALI HEALTH, INC.**  
A Delaware Corporation

Financial Statements (Unaudited) and  
Independent Accountants' Review Report

December 31, 2018 and 2017

**GALI HEALTH, INC.**

Years Ended December 31, 2018 and 2017

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT



To Management of Gali Health, Inc.  
c/o Ilya Kupershmidt  
77 Geary Street, Suite 670  
San Francisco, CA 94108

We have reviewed the accompanying financial statements of Gali Health, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 of the financial statements, the Company has not generated sufficient revenues to date, relies on outside sources to fund operations, and has incurred significant losses. Accordingly, substantial doubt is raised about the Company's ability to continue as a going concern.

*Fruci & Associates II, PLLC*

Spokane, WA

May 13, 2019

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**GALI HEALTH, INC.**  
**BALANCE SHEETS**  
December 31, 2018 and 2017  
(unaudited)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 262,774	\$ 759
Total current assets	262,774	759
Total assets	\$ 262,774	\$ 759
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 28,846	\$ 61,096
Total current liabilities	28,846	61,096
Notes payable, noncurrent portion		
Total liabilities	28,846	61,096
Commitments and contingencies	-	-
Stockholders' equity		
Common stock, 8,000,000 shares issued and outstanding at December 31, 2018 and 2017	800	800
Additional paid-in capital	26,078	21,903
SAFE agreements	851,000	176,000
Accumulated deficit	(643,950)	(259,040)
Total stockholders' equity	233,928	(60,337)
Total liabilities and stockholders' equity	\$ 262,774	\$ 759

See accountants' review report and accompanying notes to the financial statements.

**GALI HEALTH, INC.**  
**STATEMENTS OF OPERATIONS**  
For the Years Ended December 31, 2018 and 2017  
(unaudited)

	2018	2017
Revenues	\$ -	\$ -
Operating expenses		
Research and development expenses	195,083	165,226
Contractor expenses	96,313	34,406
Professional fees	58,328	20,049
Payroll and related expenses	16,070	-
General and administrative	14,941	6,883
Options expense	4,175	2,703
Total operating expenses	<u>384,910</u>	<u>229,266</u>
Loss from operations	(384,910)	(229,266)
Other expense		
Interest expense	-	(14)
Total other expense	<u>-</u>	<u>(14)</u>
Net loss before income tax	(384,910)	(229,280)
Provision for income tax	-	-
Net loss	<u>\$ (384,910)</u>	<u>\$ (229,280)</u>

See accountants' review report and accompanying notes to the financial statements.

**GALI HEALTH, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
For the Years Ended December 31, 2018 and 2017  
(unaudited)

	<b>Common Stock</b>		Additional Paid-in Capital	SAFE Agreements	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance on December 31, 2016</b>	8,000,000	\$ 800	\$ 19,200	\$ 25,000	\$ (29,760)	\$ 15,240
SAFE agreement proceeds				151,000		151,000
Stock options for services			2,703			2,703
Net loss					(229,280)	(229,280)
<b>Balance on December 31, 2017</b>	8,000,000	800	21,903	176,000	(259,040)	(60,337)
SAFE agreement proceeds				650,000		650,000
SAFE agreement for services				25,000		25,000
Stock options for services			4,175			4,175
Net loss					(384,910)	(384,910)
<b>Balance on December 31, 2018</b>	8,000,000	\$ 800	\$ 26,078	\$ 851,000	\$ (643,950)	\$ 233,928

See accountants' review report and accompanying notes to the financial statements.

**GALI HEALTH, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2018 and 2017  
(unaudited)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income (loss)	\$ (384,910)	\$ (229,280)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Stock option expense	4,175	2,703
Services for SAFE's	25,000	-
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	<u>(32,250)</u>	<u>61,096</u>
Net cash used by operating activities	<u>(387,985)</u>	<u>(165,481)</u>
 Net cash used by investing activities	 <u>-</u>	 <u>-</u>
 Cash flows from financing activities		
Proceeds from issuance of SAFE agreements	<u>650,000</u>	<u>151,000</u>
Net cash provided by financing activities	<u>650,000</u>	<u>151,000</u>
 Net decrease in cash and cash equivalents	 262,015	 (14,481)
Cash and cash equivalents, beginning	<u>759</u>	<u>15,240</u>
Cash and cash equivalents, ending	<u><u>\$ 262,774</u></u>	<u><u>\$ 759</u></u>
 Supplemental cash flow information:		
Cash paid during the period for:		
Interest	-	14
Cash paid for income taxes	-	-
	<u><u>\$ -</u></u>	<u><u>\$ 14</u></u>

See accountants' review report and accompanying notes to the financial statements.

**GALI HEALTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(unaudited)**

For the years ended December 31, 2018 and 2017

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**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Gali Health, Inc. (“the Company”) was incorporated on October 20, 2015 under the laws of the State of Delaware, and is headquartered in San Francisco, California. Gali Health hosts a software application that is working to advance precision medicine through crowdsourcing personal health data and medically-validated insights, and by providing highly personalized informational support on the medical, lifestyle and psychological aspects of living to those with chronic disease.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are normal and recurring in nature. The Company’s fiscal year-end is December 31.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The fee for the arrangement is fixed or determinable; and
- Collectability is reasonably assured.

Risks and Uncertainties

The Company has not yet commenced principal operations and is currently in the process of completing its mobile application software. There is a risk that the Company’s commencement of principal operations is significantly delayed, or does not occur.

**GALI HEALTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(unaudited)**

For the years ended December 31, 2018 and 2017

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Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

*Level 2* - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

*Level 3* - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets approximate their fair value.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. At December 31, 2018 and 2017, the Company had no items, other than bank deposits, that would be considered cash equivalents. The Company maintains its cash in bank deposit accounts, that may at times, exceed federal insured limits. No losses have been recognized as a result of these excess amounts.

Advertising costs

The Company’s advertising costs are expensed as incurred. During the years ended December 31, 2018 and 2017, the Company recognized \$5,510 and \$76 in advertising costs, respectively, recorded under the heading ‘General and administrative’ in the statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Section 718 *Compensation – Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as expense ratably over the requisite service period, which is generally the option vesting period.

**GALI HEALTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(unaudited)**

For the years ended December 31, 2018 and 2017

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Research and Development Costs

Research and development costs, including salaries, research material, and administrative costs are expensed as incurred. During the years ended December 31, 2018 and 2017, the Company recognized \$195,083 and \$165,226 in research and development costs, respectively.

Income Taxes

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ADC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements. The Company has determined that there are no material uncertain tax positions.

The Company accounts for income taxes based on the provisions promulgated by the Internal Revenue Service ("IRS"), which has a statute of limitation of three years from the due date of the return. As such, all tax years are open since the Company's inception.

The Company currently has a tax net operating loss (NOL) of \$643,950 for which it may receive future tax benefits. However, as of December 31, 2018, no such benefit is expected to be recognized in the near term, and therefore, a full valuation allowance has been assessed on any potential income tax benefit.

Recent Accounting Pronouncements

No recently issued accounting pronouncements are expected to have a significant impact on the Company's financial statements.

Subsequent Events

The Company has evaluated subsequent events through May 13, 2019, the date these financial statements were available to be issued.

During March 2019, the Company entered into three separate SAFE agreements with investors, in exchange for cash investments totaling \$1,091,866. The SAFE agreements, bear no interest and have no maturity date, and has the same conversion provisions as outlined in Note 4.

During April 2019, the Company entered into two separate SAFE agreements with investors, in exchange for cash investments totaling \$320,000. The SAFE agreements, bear no interest and have no maturity date, and has the same conversion provisions as outlined in Note 4.

**GALI HEALTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(unaudited)**

For the years ended December 31, 2018 and 2017

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**NOTE 2 – GOING CONCERN**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred losses from inception of approximately \$643,950 which, among other factors, raises substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon management's plans to raise additional capital from the issuance of debt or the sale of stock, its ability to attract users to its software platform, and its ability to generate positive operational cash flow. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2018 and 2017, a shareholder of the Company made a series of advances in exchange for one collective SAFE agreement dated April 22, 2019, in the aggregate of \$496,000. These advances, bear no interest and have no maturity date, and has the same conversion provisions as outlined in Note 4. At December 2018 and 2017, the amount of advances outstanding is \$426,000 and \$176,000, respectively, and are recorded under 'SAFE agreements' on the balance sheets.

**NOTE 4 – SAFE AGREEMENTS**

During the year ended December 31, 2018, the Company entered into SAFE agreements (Simple Agreement for Future Equity) with investors in exchange for cash investments totaling \$400,000 and in exchange for services totaling \$25,000. The SAFE agreements have no interest rates or maturity dates.

The SAFE agreements entered into become convertible into shares of SAFE preferred stock. The number of SAFE preferred shares the SAFE agreements convert into is determined by whichever calculation provides for the greater number of shares between: A) an 80% discount to the pricing in the triggering equity financing; B) the price implied by a \$7,000,000 valuation cap divided by the capitalization of the Company at the triggering equity financing.

At December 31, 2018, the SAFE agreements have not yet converted as qualifying financing has not yet occurred. No shares of SAFE preferred stock have been authorized or established as of December 31, 2018 but will be prior to the qualifying financing. The SAFE agreements have been recorded as a component of equity.

**GALI HEALTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(unaudited)**

For the years ended December 31, 2018 and 2017

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**NOTE 5 – STOCK OPTIONS**

The Company has 2,000,000 stock options authorized for the purchase of common shares. A summary of option activity is as follows:

	Options - Common Share Equivalents	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2016	85,000	\$ 0.05	2
Granted	75,000	\$ 0.05	2
Expired/Forfeited	-	-	-
Exercised	-	-	-
Outstanding December 31, 2017	160,000	\$ 0.05	2
Granted	485,000	\$ 0.05	3
Expired/Forfeited	-	-	-
Exercised	-	-	-
Outstanding December 31, 2018	645,000	\$ 0.05	2

Outstanding options vested based on two different agreed upon schedules, either a 4-year schedule or a 2-3-year schedule:

- Under the 4-year vesting schedule, options vest 25% 12 months from the grant date with the remaining 75% vesting evenly over remaining 36 months.
- Under the 2-3-year schedule, options vest evenly over the vesting period, either 24 or 36 months.

At December 31, 2018, there is \$24,809 of unrecognized stock compensation cost expected to be recognized over weighted average remaining life of 1.9 years.

During the years ended December 31, 2018 and 2017, the Company recognized stock compensation expense resulting from the vesting of outstanding stock options of \$4,175 and \$2,703, respectively, and was allocated between 'Options expense' on the statements of operations.

**NOTE 6 – COMMON STOCK**

The Company has 12,000,000, \$0.0001 par value, shares of common stock authorized at both December 31, 2018 and 2017. At both December 31, 2018 and 2017, there were 8,000,000 common shares issued and outstanding.

During the year ended December 31, 2016, the Company's founder contributed \$20,000 in exchange for 8,000,000 shares of common stock. No additional shares have been issued as of December 31, 2018 and 2017.